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Sanctions Hurt Finance Ministry's $7Bln Foreign Borrowing Plans

By The Moscow Times

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The Finance Ministry said Friday it may be forced to cancel plans to borrow abroad this year, admitting that sanctions imposed by the West are already stinging.

The U.S. imposed sanctions on President Vladimir Putin's close allies over the annexation of Ukraine's Crimea.

Since Putin declared on March 3 that Russia had the right to invade Ukraine, Russian stocks have lost on average 10 percent, or more than $60 billion in market capitalization, and the Central Bank has spent $23 billion defending the ruble as foreign investors, spooked by uncertainty about where the crisis will lead, pull their money out of Russian stocks and bonds.

"Any sanctions, whatever they are, have a negative impact on bilateral trade, the forecast and the actual economic growth," Siluanov told journalists.

On Thursday, both S&P and Fitch ratings agencies downgraded to negative from stable their long-term outlooks on Russia's debt.

"It is clear that prices of our bonds can change and the cost of our borrowing could rise," Siluanov said. "If the situation remains as it is now, we will probably cancel our foreign borrowing and reduce domestic debt issuance."

Russia's official plans envisaged about $7 billion worth of foreign borrowing this year, following a successful placement of the same amount last year.

Russia has a hefty $494 billion of foreign currency reserves and the Finance Ministry expects a budget deficit of only 0.5 percent of gross domestic product terms this year, enabling it to put off borrowing plans.

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